



AFairchild, PC
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Navigating your **COVID-19 Business Options**

Presented by:



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COVID-19 Laws

March 18, 2020 with effective date April 1, 2020

FFCRA – Families First Coronavirus Relief Act

March 27, 2020

CARES – Coronavirus Aid, Relief and Economic Security Act



Navigating your **COVID-19 Business Options**

Loans

- Payroll Protection Program
- Economic Injury Disaster Loan

Employees

- Pandemic Unemployment Assistance Program
- CARES Employee Retention Credit
- FFCRA Payroll Tax Credit
- Employer Tax Deferral

Tax Returns

- Tax Deadline
- Qualified Improvement Property - Depreciation
- Tax Loss Carrybacks
- Research and Development Credit



Navigating your **COVID-19 Business Options**

Loans

- Payroll Protection Program
- Economic Injury Disaster Loan



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Payroll Protection Program (“PPP”)

- Businesses under 500 employees, 501(c)3 organizations, self-employed (Schedule C), other organizations
- Must have been in operation as of 02/15/2020 and must have Payroll



Payroll Protection Program – Loan and Forgiven Amount

- A loan made by your bank, thru the SBA, for up to
2.5x **“Payroll Costs”** in 2019
- 8 weeks of “Payroll Costs” and other Costs will be forgiven



Payroll Protection Program –

Payroll Costs

- Salary, wage, commission or similar compensation up to \$100K per person
- Group health care benefits, including insurance premiums
- Retirement benefits
- State and local taxes
- Ministers: Housing Allowance???
- Net earnings from Self-Employment (schedule C)

Payroll Protection Program

What is Forgiven

8 weeks of the below costs, beginning with the date of the loan:

- Payroll Costs (75% of the forgiven amount)
- Mortgage interest on any debt that began before 02/15/20
- Rental payments (including lease payments)
- Utility payments (electricity, gas, water, transportation, telephone, internet)



Payroll Protection Program – Forgiven

Forgiven amount is reduced if:

- Reduction based on Reduction in Number of Employees
- Reduction related to Salaries and Wages



Economic Injury Disaster Loan (“EIDL”)

- Must be an “eligible borrower”
- Low interest bearing long term loans
 - Long term working capital loans of up to \$2M
 - Interest rate of 3.75% for small businesses and 2.75% for non profits
 - Maximum term of 30 years
 - Waives the personal guarantee of loans not more than \$200,000
 - Generally, required collateral for loans greater than \$25,000
- Advances for up to \$10,000
 - Paid within 3 days of submitting a completed loan application
 - If application is denied, applicant is not required to repay the \$10,000 advance
- Subsidy for Certain Loan Payments, which provide for the SBA to pay interest, principal and associated fees on certain SBA loans existing at the time of the enactment of the CARES Act.

EIDL – Eligible Borrower

Small businesses, non profit corporations, and small agricultural cooperatives

- A business or cooperative with no more than 500 employees
- Sole proprietors and independent contractors
- Business must have been in operation as of 01/31/20

Not required to show you cannot obtain credit elsewhere



EIDL – How Do I Apply?

EIDL loan is made directly with the SBA
(do not go to your bank)

<https://covid19relief.sba.gov/#/>

- SBA Form 5 (2 page Business Loan Application)
- SBA Form P-019 (1 page Economic Injury Disaster Loan Supporting Documentation)
- SBA Form 413 (Personal Financial Statement)
- SBA Form 2202 (Schedule of Liabilities)



LOANS - PPP and EIDL

- May apply for both a PPP and EIDL
- Must not use funds for duplicative purposes
- To avoid duplication, EIDL proceeds can be used for (examples):
 - Working Capital
 - Pay off debt from other sources
 - Inventory
 - Vendor payments
 - Supply chain costs
 - Other expenses not included in PPP loan (if obtained)

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Pandemic Unemployment Assistance Program

Expanded Benefits

- ADDs \$600 to the weekly benefit amount provided by the state until 07/31/20
- In Texas, unemployment benefits can last for 26 weeks, the CARES Act lengthens that to 39 weeks.



Pandemic Unemployment Assistance Program

- Covers January 27, 2020 to December 31, 2020
- Unemployed, partially unemployed, furloughed and other “covered individuals” are entitled to expanded benefits



CARES Employee Retention Credit

- Fully refundable tax credit equal to 50% of qualified wages (including qualified health plan expenses)
- Wages paid between 03/13/20 and 12/31/20
- Maximum wages of up to \$10,000 (for the year)
- Maximum credit \$5,000 ($\$10,000 \times 50\%$) per employee (for the year)



Employee Retention Credit – Eligible Employer

Businesses, including tax exempt organizations, that either:

- Fully or partially suspends operation during any calendar quarter in 2020 due to orders from a government agency limiting commerce, travel, or group meetings due to COVID 19;

or

- Experience a significant decline in gross receipts during the calendar quarter.

(NOTE: Government entities nor self employed are eligible for this credit)



Employee Retention Credit –

“Significant Decline in Gross Receipts”

- Calendar quarter in which gross receipts are 50% less than gross receipts in same quarter 2019
- Continues until calendar quarter in which gross receipts are greater than 80% of gross receipts for same quarter 2019



Employee Retention Credit –

How to claim

- Form 941, Employer's Quarterly Federal Tax Return
- EFTPS deposits

IRS FAQs:

<https://www.irs.gov/newsroom/faqs-employee-retention-credit-under-the-cares-act>



FFCRA Payroll Tax Credit – effective 04/01

- Employers will receive a payroll tax credit for both:
 - Expanded Family and Medical Leave
 - Emergency Paid Sick Leave
- Qualifying leave between 04/01/2020 and 12/31/2020

<https://www.afairchildpc.com/blog/>

Presentation on COVID-19 Employer Issues and Urgent Questions

www.dol.gov



FFCRA Payroll Tax Credit

A dollar for dollar credit for sick leave and paid FMLA wages against the 941 tax liability (EE/ER SS Tax and EE FIT).

100% of the Employee's rate up to \$511/day not to exceed \$5,110 in the aggregate for the below circumstances:

- The Employee is subject to a federal, state, or local quarantine or isolation order.
- The Employee has been advised by a health care provider to self-quarantine.
- The Employee is experiencing symptoms of COVI-19 and is seeking a medical diagnosis.

2/3 (66.6%) of the Employee's rate up to \$200/day not to exceed \$2,000 in the aggregate

- The Employee is caring for someone else who is experiencing (1) or (2).
- The Employee is caring for a son/daughter (under 18) because the school or childcare facility is closed.
- The Employee is experiencing any other substantially similar condition specified by HHS, Treasury, or DOL.

FFCRA Payroll Tax Credit

- Use Form 7200

<https://www.irs.gov/forms-pubs/about-form-7200>

- FFCRA Questions and Answers:

<https://www.dol.gov/agencies/whd/pandemic/ffcra-questions>

- FFCRA For the Employer:

<https://www.dol.gov/agencies/whd/pandemic/ffcra-employer-paid-leave>

- FFCRA For the Employee:

<https://www.dol.gov/agencies/whd/pandemic/ffcra-employee-paid-leave>

Employer Payroll Tax Deferral

- Delay in payment of employer payroll taxes for 2020
- 50% of 2020 payroll taxes are now due 12/31/2021 with the remaining 50% due 12/31/2022



NOTE: *If an employer has debt forgiven under the CARES Act, they will not qualify for the deferral*

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Tax Deadlines

Federal Income Tax

04/15 due date has been moved to 07/15

- Individual Form 1040
- Individual Form 1040ES
- Corporate Form 1120
- Trusts Form 1041
- Gift Form 709



Tax Deadlines

Texas – Franchise, Sales & Use, Unemployment Tax

- Texas Hotline 800-252-8880
- Short term payment agreements
- Franchise – Due date changed to 07/15 – filing AND payment
- Sales Tax – Remains due the 20th of the following month
- Quarterly Unemployment Tax – Due date extended 05/15 –
Please DO NOT file until AFTER 04/15 because TWC is
trying to help those with unemployment



Qualified Improvement Property

- Originally under the Tax Cuts and Jobs Act – 39 year depreciation
- CARES Act Amendment - 100% Bonus depreciation
- Retroactively effective to 01/01/2018

What is included:

- 15 year Qualified Leasehold, Retail, and Restaurant Improvement Property (internal improvement to non-residential real property, not to include structural framework or enlargement of a building)

Interest Expense Limitation

- For 2018, interest expense limitation of 30% of a taxpayer's Adjusted Taxable Income
- Under the CARES Act, interest expenses limitation increased to 50% for 2019 and 2020
- For 2020, you may make an election to use 2019 Adjusted Taxable Income for the 2020 limitation.



Tax Loss Carrybacks

- NOLs from 2018, 2019 and 2020 can be carried back for 5 years and forward an unlimited number of years
- The 80% provision in the Tax Cuts Act is suspended for the years 2018, 2019, 2020
- Available for all Businesses



TAX RETURNS – R&D Credit

- 87-92% of companies with revenue over \$250M take the credit
- 12-15% of companies with revenue under \$50M take the credit



Industries that normally qualify:

- Engineering
- Architecture
- Software Development
- Manufacturing
- Construction
(if design build component)



Questions



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